

Message Text

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ACTION NEA-09

INFO OCT-01 AF-06 ARA-06 EUR-12 EA-06 ISO-00 FEA-01 AEC-05

AID-05 CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00 EB-07

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R 121310Z JAN 75

FM AMEMBASSY TEHRAN

TO SECSTATE WASHDC 9745

INFO AMEMBASSY ABU DHABI

AMEMBASSY ALGIERS

AMEMBASSY BEIRUT

AMEMBASSY CARACAS

AMCONSUL DHAHRAN

AMEMBASSY DOHA

AMEMBASSY JAKARTA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LAGOS

AMEMBASSY LIBREVILLE

AMEMBASSY LONDON

AMEMBASSY QUITO

AMEMBASSY TRIPOLI

C O N F I D E N T I A L TEHRAN 0290

BEIRUT PASS BAGHDAD

E.O. 11652: GDS

TAGS: ENRG, IR

SUBJ: IRAN IMPLEMENTS OPEC DECISION

REF: A. TEHRAN 0240 B. TEHRAN 0089

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1. SUMMARY: CONSORTIUM MEMBERS' REPS REPORTED TO CHARGE THAT JAN

11 THEY TOLD GOI OPEC REP AMOUZEGAR AND NIOC THAT GOI INTERPRETATION OF OPEC DECISION COULD LEAD TO SERIOUS BREAK BETWEEN MEMBERS AND NIOC. COMPANIES FEAR EXTENSION TO OTHER PRODUCERS BY MFN PRINCIPLE OF IRANIAN METHOD OF FIXING GOVT TAKE AND ADDING PRODUCTION COST TO GET COST TO COMPANIES. AMOUZEGAR INDICATED HE MIGHT REQUEST SPECIAL OPEC MEETING TO CLEAR UP DIFFERENCES IN INTERPRETATION. END SUMMARY.

2. CONSORTIUM MEMBERS' REP FOLMAR OF TEXACO, BOBINSKI OF MOBIL AND MCNAIR OF ARCT (FOR IRICON) CALLED ON CHARGE JAN 12 TO REPORT ON PREVIOUS DAY'S TALKS WITH GOI OPEC REP AMOUZEGAR AND NIOC. FOLMAR SAID BP REP SUTCLIFFE HAD BEEN GROUP'S SPOKESMAN AND HAD TOLD AMOUZEGAR AND OTHERS "POLITELY BUT VERY FIRMLY" THAT MEMBERS VIEWED NIOC APPROACH TO IMPLEMENTATION OF OPEC DECISION AS A "VERY SERIOUS MATTER." FOLMAR ADDED HE HAD NEVER HEARD A BP SPOKESMAN TAKE SO FIRM A POSITION.

3. MEMBERS SEEM TO HAVE WON SOME MINOR POINTS. NIOC AND AMOUZEGAR ACCEPTED MEMBERS' STATEMENT THAT ALL OTHER PG PRODUCERS BEING PAID 93 PERCENT OF POSTINGS FOR NOV/DEC 1974 BUYBACK OIL, NOT REPEAT NOT 94.85 PERCENT, AND INDICATED THAT FOR MOMENT, PRESENT PAYMENT SYSTEM (INCLUDING TAXES) WILL CONTINUE TO BE APPLIED, THUS GIVING COMPANIES THEIR TAX CREDITS. IRANIAN SIDE ALSO INTIMATED IT HAD NO PROBLEMS WITH WORKING OUT A FORMULA, IN A REVISED BASIC AGREEMENT WITH MEMBERS, THAT WOULD CONTINUE TO GENERATE SOME TAX CREDITS.

4. ACCORDING TO FOLMAR, AMOUZEGAR ALSO ACKNOWLEDGED, IN "FOUR POINTS" HE MADE ABOUT OPEC DECISION, THAT COMPANIES CONTINUE TO HAVE ROLE AND 22 CENT MARGIN IS NOT ENOUGH FOR THEM (LET ALONE GOI'S 18 CENTS). ANOTHER OF HIS "POINTS" WAS THAT OPEC DID NOT SET THE MARGIN: COMPANIES SHOULD INCREASE IT BY CHARGING MORE. SIGNIFICANTLY, AMOUZEGAR SAID GOI DID NOT CONSIDER PRICE OF 93 PERCENT OF POSTINGS SACRED, AND INTENDS TO SELL ITS REMAINING 1975 CRUDE AT HIGHER PRICE. (NIOC APPEARS TO HAVE SOLD BETWEEN A THIRD AND A HALF OF 1975 AVAILABLES.) AMOUZEGAR'S OTHER TWO POINTS WERE A) THAT IF COMPANIES PROVIDED WRITTEN EVIDENCE OF "DIFFERING INTERPRETATIONS," OF OPEC DECISION HE WOULD SEEK EXTRAORDINARY OPEC MEETING TO DECIDE ISSUE, AND B) THAT IF ARAMCO AND SAG MAKE NEW AGREEMENT (WHICH AMOUZEGAR HOPES WILL HAPPEN SOON), AN EXTRA-CONFIDENTIAL

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ORDINARY OPEC MEETING WOULD BE NEEDED TO SORT THINGS OUT.

5. MEMBERS' PROBLEMS WITH IRANIAN POSITION ON FIXED GOVT TAKE, WITH COMPANIES ABSORBING INCREASING PRODUCTION COSTS ARE (A) THAT THEIR MARGIN WOULD SHRINK STEADILY, AND (B) THAT THE ATTEMPT TO BASE PRICES ON GOVT TAKE AND MAKE CUSTOMERS ABSORB PRODUCTION COSTS WILL PREVENT THE DEVELOPMENT OF A MEANINGFUL SINGLE-PRICE SYSTEM AND IS CONTRARY TO PREVIOUS OPEC STATEMENTS THAT PRODUCERS

OF HIGH-COST OIL WOULD HAVE TO ABSORB THE HIGHER COSTS. FOLMAR POINTED OUT THAT IF ONE PARTY IS PRODUCING \$3/BARREL OIL AND SELLING FOR \$10, AND ANOTHER PRODUCES \$5/BARREL OIL OF THE SAME QUALITY, THERE IS NO "SINGLE MARKET PRICE" IF THE SECOND ATTEMPTS TO SELL AT \$12.

6. MEMBERS' POSITION AT PRESENT IS THAT GOI PERSISTENCE IN ITS INTERPRETATION COULD LEAD BY MARCH 15 (WHEN JANUARY PAYMENTS ARE DUE) TO SERIOUS BREAK IN RELATIONS. MEMBERS FEEL EXTENSION OF IRANIAN POSITION VIA MFN PRINCIPLE TO OTHER PG PRODUCERS WOULD BE INTOLERABLE. COMMENT: FOLMAR SEEMED TO TAKE SOME COMFORT FROM AMOUZEGAR'S APPARENT WILLINGNESS TO RECONSIDER UNDER CONDITIONS GIVEN IN LAST SENTENCE OF PARA 4 ABOVE. END COMMENT.
MIKLOS

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